

Message Text

CONFIDENTIAL

PAGE 01 LIMA 03974 142252Z

72

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /089 W

----- 022394

P R 142215Z MAY 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 5139

INFO AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

C O N F I D E N T I A L LIMA 3974

EO 11652: GDS

TAGS: BDIS, ENRG, EINV, PFOR, PE

SUBJECT: GULF EXPROPRIATION - LOCAL GULF MANAGER COMMENTS
ON TAKEOVER

REF: LIMA 3950

1. EDWIN MCCAIN, LOCAL GULF MANAGER, CALLED ON THE AMBASSADOR
MORNING OF MAY 14 TO DESCRIBE IN DETAIL GOP EXPROPRIATION
AND ITS BACKGROUND.

2. COMPENSATION PAYMENTS - MCCAIN SAID HW WAS RELIEVED TO
READ TEXT OF DECREE LAW THIS MORNING INDICATING THAT COMPANY
WOULD BE COMPENSATED. HE SAID HE HAD ALSO TALKED TO GENERAL
MANAGER OF PERTOPERU, GEN. MAXIMO LEON VELARDE, WHO ASSURED
HIM THIS MORNING THAT GULF'S ASSETS WOULD BE COMPENSATED
IN FULL. MCCAIN EXPLAINED TO US THAT GULF DEL PERU,
S.A., IN ADDITION TO ITS CAPITAL OF S/20 MILLION SOLES,
ALSO HAS STOCKS, STORES, AND VEHICLES WORTH APPROXIMATELY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 03974 142252Z

\$2 MILLION. IN ADDITON, UNDER A 1968 LOAN TO EPF

(PETROPERU'S PREDECESSOR), GULF HAD MADE AVAILABLE CREDITS TO EPF AND PETORPERU, APPROXIMATELY \$2 MILLION OF WHICH IS STILL OUTSTANDING. (PARADOXICALLY, MCCAIN NOTED THAT THE TOTAL AMOUNT OF THESE LOANS IS COINCIDENTALLY \$4.2 MILLION, THE SAME AMOUNT GULF IS ACCUSED OF HAVING PAID IN BRIBES TO FOREIGN OFFICIALS.) WITH REGARD TO \$17 MILLION LOAN MENTIONED IN LIMA 3950, MCCAIN SAID THAT THE FIRST OF SIX SHIP-LOADS OF OIL, SOME 230,000 BBLs. OF CRUDE, HAS ALREADY ARRIVED FROM ECUADOR AND THAT LEON VELARDE TOLD HIM THIS SHIPMENT WOULD BE COVERED IN FULL. THE REMAINING FIVE SHIPMENTS WILL BE CANCELLED.

3. NO ILLEGAL PAYMENTS - MCCAIN SAID THAT IT IS "IMPOSSIBLE" THAT ANY OF THE \$4.2 MILLION IN ALLEGED BRIBES WAS PAID TO GOP OFFICIALS. HE HAS BEEN HERE FOR SEVEN YEARS AND IS THOROUGHLY CONVERSANT WITH ALL OPERATIONS OF THE COMPANY. HE SAID GULF HAS COME INTO PERU USING LOANS, CREDITS, AND ACCESS TO MARKETING AS ITS RAISONS D'ETRE. WHILE IT DOES NOT MAKE MONEY ON ITS GASOLINE, DIESEL AND KERSONE SALES, IT HAS DONE VERY WELL WITH ITS SPECIALIZED LUBRICANTS AND WISHED TO EXPAND ITS OPERATIONS HERE FOR THIS REASON. THUS, THE RECENT \$17 MILLION LOAN TO PETROPERU.

4. SEIZURE OF ASSETS AND INVENTORY - MCCAIN REITERATED HE HAD NO ADVANCE WARNING THAT HIS OFFICE WOULD BE PHYSICALLY TAKEN OVER BY PETROPERU OFFICIALS UNTIL THEY ARRIVED, TOGETHER WITH TWO POLICEMEN AND REPORTERS AND PHOTOGRAPHERS. HE AT FIRST REFUSED TO ALLOW THE PHOTOGRAPHERS IN, BUT WHEN PETROPERU OFFICIALS EXPLAINED THE SITUATION THE PHOTOGRAPHERS ENTERED AND TOOK PICTURES OF THE SIGNING OF THE EXPROPRIATION DOCUMENT. MCCAIN EXPLAINED THAT NO FORCE WAS USED AND THAT ALL GOP PERSONNEL HAVE BEEN VERY COURTEOUS, ALLOWING HIM TO CARRY OFF HIS PERSONAL BELONGINGS FROM HIS OFFICE THIS MORNING. HE SAID THAT PETROPERU AUDITORS HAVE BEGUN AN INVENTORY OF ALL HIS COMPANY'S ASSETS.

5. SUSPICIOUS SIGNS, IN RETROSPECT - MCCAIN NOTED
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 03974 142252Z

THAT, WHILE HE THOUGHT LITTLE OF THEM AT THE TIME, TWO EVENTS MAY HAVE INDICATED THE GOP WAS PREPARING A MOVE AGAINST GULF HERE. GOVERNMENT AUDITORS HAVE RECENTLY BEEN MORE THAN ROUTINELY ACTIVE IN CHECKING THE BOOKS. THEN, PETROPERU OFFICIALS CALLED TO VERIFY THE NUMBER OF FOREIGN EMPLOYEES. MCCAIN SAID HE DID NOT CONSIDER THESE ACTIVITIES UNUSUAL AT THE TIME, PARTICULARLY SINCE ONLY ABOUT TWO WEEKS AGO THE PRESIDENT

OF PETROPERU, GEN (RET) FERNANDEZ BACA, AND LEON VELARDE HAD ASSURED HIM THAT THEY WANTED GULF TO STAY AND EXPAND ITS BUSINESS HERE. MCCAIN MENTIONED THAT LEON VELARDE TOLD HIM TODAY THAT "THE AIR MIGHT CLEAR A BIT" BY FRIDAY WHEN, ACCORDING TO MCCAIN, GULF'S CHIEF MR. DORSEY, WILL REVEAL TO WHOM THE BRIBE PAYMENTS WERE MADE.

6. PRESS GUIDANCE - THE AMBASSADOR SHOWED MR. MCCAIN A COPY OF THE EMBASSY'S BRIEF PRESS GUIDANCE, AND HE NOTED HE HAD NO OBJECTION TO ITS CONTENTS. (NOTE: GUIDANCE MAKES POINTS THAT (A) USG RECOGNIZES RIGHT TO EXPROPRIATION WITH COMPENSATION; (B) GULF DEL PERU OHINVOLVED IN NO IMPROPRIETIES HERE: AND (C) THAT EMBASSY EXPECTS DETAILS OF COMPENSATION TO BE WORKED OUT BETWEEN GULF AND GOP.)

7. FURTHER STEPS - MCCAIN SAID HE WOULD BE IN TOUCH WITH CORAL GABLES HEADQUARTERS OF GULF TODAY FOR GUIDANCE AND LET US KNOW THEIR VIEWS.

8. COMMENT: MCCAIN, WHILE UNDER GREAT PRESSURE, WAS WELL ORGANIZED AND CALM. HE DOES NOT KNOW PRECISELY WHAT STEPS THE COMPANY MAY TAKE, BUT HAS NO HOPE OF HAVING THE DECREE LAW REVERSED. HE SPECULATED THAT THIS MOVE WAS TAKEN BY THE GOP TO BOLSTER ITS REVOLUTIONARY IMAGE IN LATIN AMERICA, FOR LARGER POLITICAL REASONS, SINCE THE COMPANY HERE HAS HAD EXCELLENT RELATIONS WITH ITS PETROPERU COUNTERPARTS.
DEAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, COMPENSATION, BRIBERY, SUBSIDIARIES, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA03974
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750169-1090
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750554/aaaabwnz.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 LIMA 3950
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2003 by ShawDG>; APPROVED <04 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GULF EXPROPRIATION - LOCAL GULF MANAGER COMMENTS ON TAKEOVER
TAGS: BDIS, ENRG, EINV, PFOR, PE, GULF OIL CORP, (MCCAIN, EDWIN)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006